



GLOBAL SAGE
Leaders in Executive Search

China Asset Management Update

Global Firms Continue Buildouts Despite Market Volatility

January 2019

A Message to our Colleagues

Man grows most tired while standing still.

All things are difficult before they are easy.

– Chinese Proverbs

Global Sage, a Hong Kong-based executive search firm, starts the new year with an important goal – to share our unique perspective about hiring in the fast-growing asset management industry in China.

Two years ago, the first foreign asset manager was granted a license to market investment products in the Chinese domestic market through a fully-owned subsidiary or Wholly Foreign-Owned Entity (WFOE). Since then, dozens of top global asset management brands have followed. Despite the turmoil in the country's markets last year, we expect more foreign managers to build capability in China in 2019.

Given this dramatic activity, we are sharing our perspective about the current landscape in China and the implications for future hiring. We include:

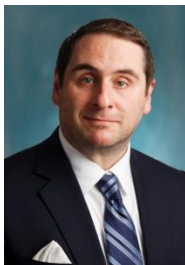
- A collection of facts and figures that provide a snapshot of activity by foreign asset managers in the domestic Chinese market. We include recent prominent **people moves; compensation data;** and figures about **Chinese expansion efforts by foreign asset managers.**
- A discussion about hiring trends and challenges for foreign managers in China with **Louisa Wong**, our Executive Chairperson and one of the leading executive search professionals in China and Asia.

In 2005, our Hong Kong-based company was one of the first executive search firms to establish a WFOE in mainland China. We successfully completed the process that many of our global clients are undertaking today.

We encourage you to learn more about our expertise in mainland China, as well as in Asia, Europe and the United States. We hope this update will start a dialogue between our team and global asset managers looking to hire the best talent in China – and around the world.

Sincerely,

The Global Sage Leadership Team, Global Asset Management



Douglas J. Brown
Partner, New York



Silvie Buchs
Partner, London/Zurich



Louisa Wong
Executive Chairperson, China/Asia

Facts and Figures about Asset Management in China

Number Of Global Asset Managers Granted Private Fund Manager Licenses*

26

A Private Fund Manager (PFM) license enables foreign asset managers to develop on-shore investment products, which can invest in China's domestic securities market, and accept investment from qualified Chinese investors. Asset managers are required to launch a product within six months of registering as a PFM.

**Since the first PFM was issued to WFOE in January of 2017
Source: Asset Management Association of China*

Total Traditional Fund Manager* AUM in China

Current AUM (as of 2017): **\$7.4 Trillion**

2022 (Forecasted): **\$14 Trillion**

** Includes domestic and foreign managers of mutual funds and private funds.
Source: Oliver Wyman*

Estimated Market Share of Foreign Asset Managers in China by 2030

6%

Source: CaseyQuirk by Deloitte

Top 10 Foreign Managers For China On-shore Business

Rank	Firm
1	UBS
2	Invesco
3	JP Morgan
4	HSBC
5	BlackRock
6	Schroders
7	Manulife
8	Deutsche AM
9	Fidelity
10	Franklin Templeton

*Source: Z-Ben Advisors "2018 China Rankings"
April 2018*

Prominent People Moves among WOFEs in 2018

Name	New Firm	New Title	Prior Firm	Prior Title
Amy Wang	Aberdeen Standard Inv.	Head of China	Pioneer Investments	Head of China Institutional Business
Chao Lou	UBS AM	Fixed Income Portfolio Manager	Samsung AM	Fixed Income Portfolio Manager
David He	Vanguard	COO	Fidelity	General Manager
Eric Cao	Vanguard	Finance Director	Fosun Capital	Finance Director
Limei Mo	Credit Ease	Head of Legal & Compliance	BlackRock	Head of Legal & Compliance
Peter Liu	Neuberger Berman	Head of China	HFT Fund	General Manager
Qin Chen	APS AM	Director of Institutional Investment	Tianhong AM	Director of Institutional Investment
Raymond Yin	UBS AM	Managing Director, Head of China Onshore	Chongyang Int'l AM	CEO
Samia Qian	Vanguard	Head of Legal	Morgan Stanley	Vice President, Legal & Compliance
Mark Li	Fullerton Fund Mgmt.	General Manager	HSBC Global AM	Director of China Business

Facts and Figures about Asset Management in China

Well-Known Alternative Asset Managers with WFOEs and PFM

Firms with WFOEs	PFM
Bridgewater	Yes
Canyon Capital	—
Citadel	—
D.E. Shaw	—
Man Group	Yes
Oaktree	—
Och-Ziff	—
Prelude Capital	—
Winton	Yes

First Global Alternative Managers Granted Licenses to Market Products in China

Last year saw the first foreign alternative asset managers granted Private Fund Manager (PFM) licenses by the Asset Management Association of China. Notably, all three managers are specialists in managed futures.

Man Group was the first to receive a license. Its two CTA funds are among the top performing WFOE fund products in 2018. Bridgewater Associates received a PFM license in June 2018, and recently launched its first on-shore Chinese investment product, which is built on the same framework as its pioneering risk parity strategy – All Weather. Winton Group, a European systematic manager, also received a PFM license last year.

China’s “Hedge Fund Capital” Joins Hands with Greenwich, Connecticut

Yuhuang Shannan, a town on the outskirts of Hangzhou, a regional metropolis near Shanghai, is ramping up its efforts to become the hedge fund capital of China. Yuhuang Shannan signed a memorandum of understanding with Greenwich, Connecticut in November 2018, aiming “to create a better environment for alternative investments, and promote local investment managers to go global in both China and the U.S.” In November of 2018, Yuhuang Shannan established an overseas office in Greenwich to establish further cooperation between the two towns. Here is some background about China’s “hedge fund capital”:

- Yuhuang Shannan was rebranded as “Fund Town” and designated a special zone by local governments in 2015. As a result, hedge funds and private equity firms in the area can qualify for certain tax subsidies.
- The town is a roughly one-hour ride by high-speed train from Shanghai.
- Yuhuang Shannan is located in Hangzhou, one of the most tech-savvy regions of China. Hangzhou is where Alibaba is headquartered.
- As of October 2018, there are over 2,700 investment managers registered in Yuhuang Shannan with total AUM exceeding USD 163 billion. (Source: iFeng.com)



Yuhuang Shannan, Hangzhou

Facts and Figures about Asset Management in China

Buy-side Compensation Data in China for 2017–2018

Each year, Global Sage compiles extensive compensation data for numerous roles on the buy-side in China. The list below compares compensation in 2017-2018 at Local/Joint Venture Asset Managers to WFOE asset managers. The data shows that WFOEs often pay higher base salaries than local managers. Also, the data shows a “compensation boom” for legal and compliance professionals at WFOEs, who are in high demand.

Local/Joint-Venture Asset Managers					
Department	Title	Basic Salary (USD)		Bonus (USD)	
		Min	Max	Min	Max
Front Office					
Portfolio Management	PM	110,000	210,000	210,000	3,134,000
	Assistant PM	89,500	134,000	150,000	1,433,000
Research	Research Director	110,000	224,000	150,000	746,000
	Research	37,000	146,000	37,000	716,000
Sales	Inst. Sales	44,800	125,000	44,800	840,000
	Retail Sales	30,000	107,000	30,000	107,000
Product	Product Manager	27,000	75,000	22,400	75,000
Middle & Back Office					
Legal & Compliance	Chief of Dept.	67,000	119,000	44,800	104,000
	Manager	22,400	90,000	7,000	52,000

WFOE Asset Managers					
Department	Title	Basic Salary (USD)		Bonus (USD)	
		Min	Max	Min	Max
Front Office					
Portfolio Management	PM	194,000	300,000	150,000	224,000
Research	Sr. Research	119,000	224,000	75,000	104,000
	Jr. Research	72,000	89,500	52,000	72,000
Sales	Inst. Sales	44,800	134,000	30,000	90,000
	Retail Sales	35,800	119,000	30,000	104,000
Product	Product Manager	44,800	107,000	22,400	44,800
Middle & Back Office					
Legal & Compliance	Chief of Dept.	300,000	478,000	150,000	179,000
	Manager	44,800	143,000	35,800	101,500

This compensation analysis is intended for reference purpose only. All compensation information is gathered from primary and secondary sources that we believe are dependable. Global Sage does not guarantee the accuracy or completeness of this compensation analysis, and nothing in this table may be construed as a representation of such a guarantee. In the event that market conditions change dramatically, Global Sage claims no responsibility for the accuracy of this information.

Interview with Louisa Wong, Executive Chairperson, Global Sage

Have foreign managers continued to build out in China despite last year's market turmoil?

The China strategy for global asset managers is a long-term strategy not impacted by short-term market performance. The size and the potential of the domestic market in China represents a key growth opportunity for global asset managers, who are experiencing fee pressure in their US and European businesses. Experts predict that annual management fees for Chinese mutual funds will expand five-fold by 2025. With no safety net in China, the saving rate of Chinese nationals is much higher than in other economies. Its citizens increasingly tend to seek new investment opportunities rather than putting their money in banks. This is being fueled by recent regulatory shifts, such as the removal of promises to guarantee principal repayment to investors.

From what we've seen, market weakness did not prevent global traditional and alternative asset managers from increasing the pace of their buildouts in China last year. Last year, a sizable number of them received permission to market products in China. A total of 15 Wholly Foreign-Owned Entities (WFOEs) were granted Private Fund Management (PFM) licenses in 2018, compared to 11 firms in 2017, when the first license was issued.

What hiring trends have you seen among foreign managers who are adding capabilities in China?

Talent search for WFOE asset managers focused on middle- and back-office roles in 2016-2017, when most of the firms were in the early stages of building out the operational teams in China. Roles such as Compliance Manager, Finance Manager, HR and Operations Manager were in high demand. Since mid-2017 the hiring trend shifted to front office roles such as Research Analyst, Trader, Portfolio Manager after more and more firms were granted a PFM license. Investment and sales teams are essential for the next step – fund launches.

What should a foreign manager new to China be thinking about when hiring local talent?

Foreign managers new to China need to understand the implications of the remarkable growth in the domestic Chinese asset management industry over the past 20 years. Many domestic asset managers are now so big that they have multiple layers of management and offer varied career options to their employees, including overseas positions. Getting experience with multi-national or foreign companies is no longer a carrot to hire or retain Chinese talent. In fact, given the expectations for continued growth in China, the focus for many Chinese industry professionals is to build local experience.

To remain competitive in the market for talent, foreign managers must empower senior local employees. Ideally, the General Manager (Country Head) of a local Chinese offices should report directly to global headquarters. This will facilitate faster responses to local changes and help build an understanding of local changes at the leadership level globally. Also, foreign managers must make sure the interest of the firm and the local managers in China are aligned from the beginning. They must offer competitive incentives to attract top talent in China who are ambitious and have

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Interview with Louisa Wong, Executive Chairperson, Global Sage

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many career options. Specifically, Chinese professionals will look to be directly rewarded for the performance and growth they generate at the local level. Additionally, creating a more transparent compensation structure can be a powerful tool to attract Chinese talent, as compensation at Chinese asset managers tends to be highly discretionary.

What other compensation issues will foreign firms face when hiring local Chinese nationals?

Generally speaking, foreign managers that have set up WFOEs have been paying higher base salaries than local firms. This can be a good way to lure local talent, as Chinese asset managers typically pay lower base salaries. But high base salaries can be a drawback, if locals feel their upside is capped. Domestic Chinese asset managers typically pay very good bonuses when performance is there. Chinese employees will be looking to earn good bonuses and competitive total compensation if they are successful at their jobs.

Which are the most challenging roles to hire for in China currently?

Compliance Officer is among the toughest roles to hire due to very small talent pool and extraordinarily high demand. A General Manager (Country Head) and a Compliance Officer are must-haves for a WFOE asset manager to apply for a PFM license. We have observed that General Managers

come from both expats from other regional offices and local hires. However, Compliance Officers are purely local hires, due to the demand for their knowledge of the China regulatory environment and experience of dealing with local regulators and governments. It is a challenge to find qualified compliance candidates with this experience, along with English skills and overseas education and/or work experience, which are standard requirements for all WFOE candidates.



“Foreign managers that have set up WFOEs have been paying higher base salaries than local firms.”

What is the key motivation for Chinese candidates to join a foreign firm?

It is important to identify local candidates who genuinely value the global exposure gained from working at a foreign asset manager. These candidates recognize that fundamental investment training and collaboration with different regions can help them build a global mindset, which could be a benefit throughout their career. Therefore, junior- and middle-level candidates are usually more passionate about exploring opportunities at WFOEs. Comparatively, since local firms are better established in the China market, providing them a more steady platform and greater flexibility to develop business, it is more difficult to convince senior-level candidates to move to WFOEs. They usually find it more important to have a faster decision-making process to reach consensus on business strategy and cultural compatibility if they were to join a new firm.

Global Sage in China

Our China Capabilities

Global Sage is an industry leader in helping global alternative and traditional asset managers to hire the best talent in China and Asia. We offer our clients a number of unique capabilities:

Asia search is in our DNA Global Sage is the only global executive search firm specializing in financial services that was founded in Asia.

On-Shore and Off-Shore Capabilities Global Sage has offices in Shanghai, Beijing and Hong Kong. Unlike most of our competitors, our firm has both on-shore and off-shore operating licenses. Our China team consists of four partners and seven consultants.

Cross-Border Search Expertise Our team in China works in unison with our consultants in the US, Europe, Singapore and Japan to handle the needs of our global clients.

Track Record in China (Representative Placements)

- **Chief Operating Officer (Shanghai)** – Placed the COO in China for one of the largest US asset management firms.
- **Head of Legal, China (Shanghai)** – Placed the Head of Legal for China at one of the world's largest global asset managers.
- **Quant Investment Manager (Shanghai)** – Placed the Head of Quantitative Research and Investment in China at a US asset manager.
- **Client Service Manager (Shanghai)** – Placed a Client Service Manager in China for a leading European asset management firm.
- **Equity Research Analyst (Shanghai)** – Placed an Equity Research Analyst covering TMT in China at a leading US asset management firm.
- **Fixed Income Analyst (Shanghai)** – Placed a Fixed Income Analyst to lead China government bond research at a leading US asset manager.

Our Firm

Global Sage is a retained executive search firm specialized in global financial services. The firm was founded in 1998 and is headquartered in Hong Kong and operates from 10 offices in Asia, Europe and the US. Global Sage prides itself on combining the best of a boutique, high-touch executive search practice with global presence and research capabilities typical of much larger search firms.

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